

MOTION PICTURES AND TOTAL DEFENSE



Annual Report

By WILL H. HAYS, *President*

TO MOTION PICTURE PRODUCERS
AND DISTRIBUTORS OF AMERICA, Inc.

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28 WEST 44TH STREET, N. Y. C.

MARCH 31, 1941

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REPORT OF THE PRESIDENT
MOTION PICTURE PRODUCERS
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TIME is sure to record the year 1940 as a period of supreme crisis in the history of the world. During those twelve months many great nations were over-run by war in Europe, the life of many small countries was snuffed out by fear, and a narrow strip of water — the English Channel — became the bridgeless moat that halted the rush of conquest. Had it not broken against the indomitable will of a great and fearless people, Democracy in the Old World *might* have been blacked out for a thousand years.

It was the year when France fell and surrendered, when Scandinavia, Holland and Belgium were submerged, when Greece was attacked and valiantly fought back the invader, when the imperial dreams of the Roman dictator found a rude awakening in Africa, and when our own great republic looking upon the shambles of freedom across the seas adopted the unprecedented step of peace-time conscription and undertook a vast program of national defense and aid to the democracies.

It is against this background, painted with huge black strokes, that the progress of our own, as of every industry, must be reviewed for this period. During 1940 the American motion picture industry met this irresistible impact of world events

which obliterated many of its foreign markets. During this period it had to effect — and quickly — many economies made necessary by the loss of foreign income. And during this emergency it had to brace itself for a radical change in the distribution and sales methods prevailing in the industry almost since its inception.

Gauged to a world market established by the superiority of American films, the industry saw country after country sag, crumble and disappear in the maelstrom of war and their markets crushed beneath the hob-nailed boots of ruthless invaders. During the year 1939-40 the curtain was drawn upon and all income stopped from the following 14 countries:

Belgium	Germany	Lithuania
Danzig	Holland	Luxembourg
Denmark	Italy	Norway
Esthonia	Japan	Poland
Occupied France	Latvia	

In addition, industry income from the following 13 countries has almost ceased:

Bulgaria	and French	Spain
China	Colonial Empire	Sweden
Egypt	Greece	Switzerland
Finland	Hungary	Turkey
Unoccupied France	Rumania	Yugoslavia

Simultaneously, exchange restrictions in Latin America, the British Dominions, and elsewhere have still further diminished dollar receipts available toward the expenses of maintaining the production and distribution facilities of the American industry, long recognized as the chief source of motion pictures for the world market.

Consent Decree

Notwithstanding the serious blows received by the industry through the closure or reduction of many foreign markets, as well as by the freezing of substantial credits in export fields, certain distributor member companies of the Association have consented to revolutionary changes which are being put into effect this year, in their trade practices. Other distributor member companies situated differently and for various structural, economic, legal and other reasons were unwilling to accept the Consent Decree. The result of the experiment, however, concerns everyone.

As important and significant as the pattern of sales practices that has now been created, are the provisions that whatever is good under the consent decree can be maintained and that whatever proves impracticable to the functioning of the screen in entertaining the millions at a price within the reach of the people may be corrected as the result of actual experience.

Only time can determine whether the experiment now undertaken will work out in every provision. What has been established, however, is a result which neither destructive legislation nor expensive litigation could by themselves produce. Legislation and litigation may decide an issue, but only self-regulation can solve a problem.

The consent decree was entered into on November 20, 1940. With the Government sitting in to determine how its operation works out in practice, the experiment will reveal the extent to which any provision may need future modification so that the new trade practices may operate in the public interest and in the interest of all elements in the motion picture industry. The decree does much to eliminate the controversies that have been so widely advertised as "blind selling" and "blind

buying" and limits wholesale selling to blocks of five pictures only.

An arbitration procedure based on consent has now been set up. No exhibitor is forced to arbitrate. Except insofar as it is obligatory on the companies which consented to the decree, arbitration is purely voluntary. Today our studios are making their production schedules conform to the drastic changes for the release and distribution of pictures required by the decree which is effective September 1, 1941.

The industry is not without experience in the solution of its trade practice problems by means of arbitration. The industry's form of arbitration in force for six years affected approximately 10,500,000 separate exhibitions of pictures which were contracted for annually by the nation's exhibitors. Whereas more than 4,000 lawsuits were pending in the industry in 1922, in the six years that the original arbitration procedure was operated 51,255 claims that were filed were settled or withdrawn before the date of arbitration; 36,777 awards were rendered; only eight lawsuits occurred and claims totalling more than \$27,000,000 were peaceably and effectively settled.

The new arbitration machinery, now decreed, will cost the industry approximately \$500,000 a year to maintain. It is an earnest of the intention of all parties, I believe, to work out the problems of trade relations so that there may be no justifiable complaint from the industry or the public.

Entertainment Progress

That the screen during the past year was able to meet the extraordinary problems presented on the domestic as well as on the foreign front is a tribute to the vitality and organization of the motion picture industry. The industry redoubled its efforts to produce photoplays that the American people want, and



notwithstanding the imperative necessity for economy, it has been able to maintain employment and payrolls without sacrificing the entertainment interest of the vast motion picture public served by more than 16,000 theatres in the United States alone. The fact should be recorded, also, that every element in the industry co-operated in the adjustments that had to be made. How well producers, distributors and exhibitors met the problem of better entertainment and lower costs, is for pictures, not words, to tell.

Within the limits of entertainment alone — and that is not the only service rendered by the screen during the past twelve months — motion pictures during the year under review covered a wide range of appeal.

In the field of Americana, there was *The Westerner*, *Edison The Man*, *The Howards of Virginia*, *Boom Town*, *Brigham Young*, *Virginia City*, *The Great McGinty*, *Arizona*, *Knute Rockne—All American*, *Wyoming*, *Western Union*, *Kit Carson*, *Chad Hanna* — to mention but a few of the typical films of this character.

In the broad areas of drama, comedy and music, there were such outstanding pictures as *Rebecca*, *Pride and Prejudice*, *Christmas In July*, *The Fighting 69th*, *Kitty Foyle*, *Angels Over Broadway*, *It's A Date*, *Our Town*, *They Knew What They Wanted*, *All This And Heaven Too*, *Philadelphia Story*, *North West Mounted Police*, *No Time For Comedy*, *Ghost Breakers*, *The Long Voyage Home*, *Irene*, *Spring Parade*, *Bitter Sweet*, and others of equal merit.

The somber and satirical aspects of the tragedy of Europe were reflected on our screen in such pictures as *The Mortal Storm*, *The Great Dictator*, *Night Train*, *Foreign Correspondent*, *The Man I Married*, *Comrade X*, *Escape*, *The Ramparts We Watch*, *Pastor Hall* and other films.

Finally, in a field that defies classification there was the extraordinary Disney production of *Fantasia*, which marked another step in combining music with visual fantasy.

Our industry has learned that whatever are the economic problems that must be faced, it must build upon the truth that our entertainment public is as big as good pictures can make it.

In the tension created by the emergency of national defense and the war in Europe, it was natural that the screen just as the press and the radio should be subjected to the strains of differing opinion. Fortunately our record could speak for itself on any issue that arose. It spoke most emphatically against any charge that the screen was a breeder of hate. We were able to prove by statistical and other information that the industry had not departed from the policy, announced in the Fall of 1939, of producing no cycle of "hate" pictures, and that our programs were so balanced as to cover completely the industry's news as well as entertainment responsibilities.

In response to such charges, the record established that 16% of the news reel clips dealt with a variety of people and current events related to national defense; while only 2.4% of the short subjects and 5% of the features approved during 1940 had any relation, direct or indirect, to European politics or the European War.

Essential Service of the Films

It is significant that even those who would substitute bombs for butter dare not strike entertainment off the list of necessities, however distorted and adulterated is the product they provide. Even tyranny shrinks from this last offense to the peoples. Theatres remain open in occupied countries.

In England, where no bar exists to our news reels, shorts and feature pictures, the therapeutic value of entertainment is so clearly recognized that motion picture theatres were reopened within a month after the declaration of war had closed them. Pictures are considered an essential entertainment service by a nation which has stripped itself of every non-essential for its life or death battle. Films were considered equally essential in our own country during the last war. In the emergency that faces us today the universal entertainment of the screen is a definite element in total national defense. If the movies supplied nothing but relaxation, ours would still be an essential industry — vitally essential in maintaining public health under the present nervous strains, vitally essential for the rest and recreation that must keep our human machinery up to the needs of speedy and increasing production, and essential also for our mental health.

But the function of entertainment in a period such as this is even greater than recreation. Our pictures — news reels, shorts and features — aid invaluablely in maintaining national morale, both in the armed services and within the ranks of the vast body of civilian workers. Much of our entertainment must supply not only relaxation, rest and renewed vitality, but faith and confidence in our future and inspiration for the difficult days ahead. As for military morale, what applies to the Army applies to the Navy. Naval leaders testifying before the House Appropriations Committee on March 13, 1941 declared that motion pictures have become “a most important element” contributing to the maintenance of naval morale.

In both these fields the film finds its primary purpose. Such a service is not merely our opportunity but it is our obligation today.

In stressing the essential service of the screen it must not be overlooked that it is *entertainment appeal* which must con-

tinue to provide the broad highway of communication with the people who purchase an average of 80,000,000 motion picture admissions weekly. It is along that highway that the many services of the screen must roll. It would be a poor service to the country if the screen's entertainment appeal were to be curtailed so that this highway of communication were narrowed by lack of audience interest. Not the least co-operation, therefore, which the industry can render to national defense is a continuation of the experienced showmanship needed to maintain the interest and attention of the great motion picture audience.

The Screen in National Defense

As a medium of information, education and entertainment, the screen has a special obligation to the institutions which have nurtured it. It is the beneficiary of freedom — freedom of expression, freedom of initiative and freedom to develop artistically, culturally and economically in the public interest. It was therefore right that the entire industry in all its branches — production, distribution and exhibition — should have organized itself as it did early in the present crisis for such service as it may render to the task of national defense.

Representative exhibitors of the country were among the first to organize in the task of national defense. It is through the exhibitors' screens that the continuing news of our national preparedness is reported. And it is the exhibitors who are in direct touch with the vast motion picture audience.

Indeed, it is a task which demands the full co-operation of those who make, distribute and show pictures. The over-all effort organized by members of the industry is evident in the composition of the committees now co-operating in this great patriotic venture. As already announced, the full organization is as follows:

MOTION PICTURE COMMITTEE CO-OPERATING FOR NATIONAL DEFENSE

EDWARD ARNOLD, *President*, Screen Actors' Guild
 BARNEY BALABAN, *President*, Paramount Pictures, Inc.
 NATE J. BLUMBERG, *President*, Universal Pictures Co., Inc.
 HARRY BRANDT, *President*, Independent Theatre Owners Association, Inc.
 FRANK CAPRA, *President*, Screen Directors' Guild, Inc.
 I. E. CHADWICK, *President*, Independent Motion Picture Producers Assn.
 JAMES P. CLARK, *President*, National Film Carriers, Inc.
 HARRY COHN, *President*, Columbia Pictures Corp.
 H. A. COLE, *President*, Allied States Assn. of Motion Picture Exhibitors
 Y. FRANK FREEMAN, *President*, Association of Motion Picture Producers, Inc.
 SHERIDAN GIBNEY, *President*, Screen Writers' Guild, Inc.
 JAMES R. GRAINGER, *President*, Republic Pictures Corp.
 JOHN H. HARRIS, *President*, National Variety Clubs
 WILL H. HAYS, *President*, Motion Picture Producers & Distributors of America, Inc.
 EMERY HUSE, *President*, Society of Motion Picture Engineers
 W. RAY JOHNSTON, *President*, Monogram Pictures Corp.
 SIDNEY R. KENT, *President*, Twentieth Century-Fox Film Corp.
 EDWARD L. KUYKENDALL, *President*, Motion Picture Theatre Owners of America
 FRANK W. LOVEJOY, *President*, Eastman Kodak Company
 ROBERT H. POOLE, *Executive Secretary*, Pacific Coast Conference of Independent
 Theatre Owners
 HERMAN ROBBINS, *President*, National Screen Service Corp.
 GEORGE J. SCHAEFER, *President*, RKO Radio Pictures, Inc.
 NICHOLAS M. SCHENCK, *President*, Loew's Incorporated
 MAURICE SILVERSTONE, *President*, United Artists Corp.
 T. KENNEDY STEVENSON, *President*, Electrical Research Products, Inc.
 G. K. THROCKMORTON, *President*, RCA Manufacturing Company
 W. G. VAN SCHMUS, *Managing Director*, Radio City Music Hall
 WALTER WANGER, *President*, Academy of Motion Picture Arts and Sciences
 HARRY M. WARNER, *President*, Warner Bros. Pictures, Inc.
 HERBERT J. YATES, *President*, Consolidated Film Industries

NATIONAL CO-ORDINATING COMMITTEE

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FRANCIS S. HARMON, *Co-ordinator*

JOSEPH BERNHARD, <i>Chairman</i> , Theatres Division, ex officio	
Y. FRANK FREEMAN, <i>Chairman</i> , Production Division, ex officio	
E. B. HATRICK, <i>Chairman</i> , Newsreel Division, ex officio	
MARTIN QUIGLEY, <i>Chairman</i> , Trade Press Division, ex officio	
WILLIAM A. SCULLY, <i>Chairman</i> , Distributors' Division, ex officio	
BARNEY BALABAN	WALTER VINCENT
JOSEPH H. HAZEN	R. B. WILBY
WILLIAM C. MICHEL	NATHAN YAMINS
NICHOLAS SCHENCK	

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LT. COL. DARRYL F. ZANUCK, *Vice Chairman*

JOCK LAWRENCE, *Secretary*

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JOHN ARNOLD
FRED W. BEETSON
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FRANK CAPRA
JACK CHERTOK
RICHARD DAY
SHERIDAN GIBNEY
EDWARD HANSON
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LT. COL. NATHAN LEVINSON
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BEN SHLYEN
ARTHUR UNGAR
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Theatres Division

Executive Committee, Theatres Division

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E. L. KUYKENDALL
CHARLES C. MOSKOWITZ

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SPYROS P. SKOURAS
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JOHN J. FRIEDL
JULIUS GORDON
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M. A. LIGHTMAN
FRANK NEWMAN
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ROBT. H. POOLE
ELMER C. RHODEN
FRANK H. RICKETSON

SAMUEL RINZLER
JOHN RUGAR
J. MEYER SCHINE
FRED SCHWARTZ
MORT H. SINGER
WM. SKIRBALL
CHARLES P. SKOURAS
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HARRY M. KALMINE

Publicity Committee — Theatres Division

OSCAR DOOB, *Chairman*

HARRY BRANDT
HARRY GOLDBERG
CLAUDE F. LEE

HARRY MANDEL
AUBREY SCHENCK

Specially organized for this task, the screen has covered the debate on measures and methods that affect the safety of our country. It has reflected the news developed by our military, naval and air establishments. It has presented the mounting story of the selection and training of American manpower for service on land, on sea and in the air, and it has pictured the gigantic industrial mobilization undertaken by our country in a race against time so that the nation may be prepared for any further emergencies that may overtake it.

In the inspirational themes woven into many entertainment pictures, the industry deserves the tribute paid by a distinguished critic of the screen. Referring to some of these films now showing in our theatres, he declared that in treating of the basic values of the democratic system, "it is a grand and glorious thing to see the cinema restate, in simple and direct terms, its faith in this ideal, even if its fulfillment isn't altogether perfect and admittedly must take stock of itself."

Significant of the services to national defense contributed by Hollywood is the cooperation with the Government through the Research Council of the Academy of Motion Picture Arts and Sciences, in the training of Signal Corps officers in motion picture methods. In addition, the Council with Lt. Col. Darryl F. Zanuck as chairman is collaborating with the U. S. Army Signal Corps in producing 50 non-theatrical films designed for use in army camps and considered an important element in the training program.

Secretary of War Stimson has expressed his great appreciation of our studios' efforts. "The patriotic interest," he wrote, "which prompted the offer of the facilities of the industry in this co-operative program is evidenced by the offer to operate on a non-profit basis. This concrete offer is very much appreciated."

Inter-American Films

Through its news reel services, its short subjects and feature pictures, the American motion picture industry definitely contributes to the maintenance of the closest possible solidarity among the republics of the Western hemisphere. Such solidarity in the last analysis rests upon a knowledge of one another's cultures and the increased appreciation and respect which such knowledge brings. Our industry is aware as never before not only of its responsibilities but of its opportunities in this area.

The industry is co-operating with the organization headed by Mr. Nelson Rockefeller in the work directed towards closer commercial and cultural relations with Latin America, as well as with the world-wide cultural relations activities of the State Department. Under the leadership of Mr. John Hay Whitney and of industry committees recently organized, a planned effort is under way to bring to the motion picture patronage of North America more knowledge of the habits of life, the economic problems and the social and governmental

institutions and culture of the Americas. For example, a member company is now releasing a series of shorts which will bring to the people of our own country a discerning interpretation of Brazil, the Argentine and Chile, while another is presenting pictorially the importance to the Western Hemisphere of our newly acquired bases from Newfoundland to the Caribbean entrance to the Panama Canal. Some of our studios have under consideration feature pictures that will deal with such important historical figures as Simon Bolivar and use the beautiful cities and picturesque scenery of the great continent to the south of us as the locales for film stories. In the coming year the newsreels are planning greatly to expand their coverage of South American news. In the past year these services carried about 300 subjects that related directly or indirectly to Latin America.

The service which the American screen thus far has rendered should be but a prologue to even greater effort. There is not a single person in the industry who has not been gratified and inspired by the eloquent words of the President of the United States when he spoke on the occasion of the Awards Dinner of the Academy of Motion Picture Arts and Sciences held on the Coast on February 27th last. In his address the President declared:

"We have been seeking to affirm our faith in the Western world through a wider exchange of culture, of education, of thought, and of free expression among the various nations of this hemisphere. Your industry has utilized its vast resources of talent and facilities in a sincere effort to help the people of this hemisphere to come to know each other.

"In carrying on this program of advancing the spirit of inter-American solidarity and continental defense our government has established machinery to co-or-

dinate our growing commercial and cultural relations with the American republics.

"Our Government has invited you to do your share of the job of interpreting the people of the Western hemisphere with one another. And all of us in all the twenty-one American republics are grateful that your response is so immediate and so wholehearted."

Whatever service the film industry has rendered thus far, this generous statement is a challenge to further planning and achievement. Great opportunities are presented by the medium at our command; we must serve as greatly. There is an inexhaustible fount of material in the life and history of the Americas. There is a vast background of beauty and interest in the Continent to the south of us, against which background entertainment features may be made. There are traditions common to the struggle for liberty and the maintenance of freedom in many of the twenty-one American republics. Such pictures are bound to bring us closer together.

Similarly, an increased distribution of American-made films, produced with due regard to the sensibilities and traditions of our Latin American friends, will give our sister republics a more complete picture of the North American scene than can be given by any few films however successful they might be in South American distribution. We are on the way in all these directions. On the basis of plans already announced and in work our reply to the President can well be: We shall not fail.

Canada

With the tempo and work of production in Canada greatly speeded up by the war, motion picture attendance has become a greater recreational factor than ever. During 1940 there were imported 455 American pictures, 42 British features, and in the early part of the year 56 French feature films. Notwithstanding

the strict censorship in a nation at war the trend has been towards reduced cuts and rejections of American pictures. This has been attributed to the success of self-regulation in the production of film entertainment in the United States.

As in the republics to the south of us, so with the great nation to the north, our industry can play its part in continental solidarity by reflecting the history and scenery of Canada.

Eternal Vigilance

The responsibilities undertaken by the industry on every front of total defense demand greater vigilance than ever at the dykes of self-regulation. Our pictures must serve the entertainment needs of a nation in possibly its greatest historic moment. Hundreds of thousands of young men, withdrawn from the normal activities of home, office or shop have been transferred to military training camps from coast to coast, to our greatly expanded navy and our growing air force. An even greater army of workers stands behind them. Entertainment has a more responsible function than ever.

With the mental, physical and spiritual health of so many at stake, the inevitable interference with normal life brings new entertainment problems as well as other social problems. For many years after the World War the backwash of such problems covered the literature of the day, colored the demand for amusement, and presented great obstacles to those who sought to express a high sense of social responsibility in the entertainment they offered.

In the present emergency we have the organization, the machinery, the will and the means to maintain our public responsibility from the social as well as the artistic standpoint. It is healthy entertainment which the nation demands. Pictures do not exist in a vacuum. The screen must express our traditions, our ideals and our beliefs as to right living. This may not

be the only test of art, literature or drama, but it certainly should be the final test of such a universal medium as the screen.

With so many strains upon the fibres of society we are fortunate that we have built up a structure of self-regulation that permits us to maintain a program of constantly better pictures and gives us the means to resist the destructive effects which laxer forms of entertainment might exert on the screen. This is a period which calls not only for the maintenance but for the strengthening of our defenses. Motion pictures are an absolutely necessary factor in the nation's total defense.

It is not enough to follow the letter of our own codes with regard to the production and advertising of our screen entertainment. We must be everlastingly vigilant that both in theme and treatment we maintain the spirit of these codes—and that's a job for every individual studio as well as for the organized industry. The American public, very rightfully, will not stand for any violations.

An analysis of critical opinion about pictures published during the year indicates that only 20 films out of a total of 523 feature pictures and 707 short subjects were the object of serious objection on the basis of good taste and in these few cases equally sincere critics were not all agreed.

Production Code Administration

The motion picture has become a full-fledged member in the family of the arts, with a kinship to music, literature, painting, drama and even sculpture. It is respected among its contemporaries because of its sense of social responsibility. But the fact is only beginning to be appreciated that our Motion Picture Production Code definitely has a positive as well as a negative function.

Self-regulation has made the screen a great transformer. Able critics have remarked upon picture after picture which, from the artistic as well as the social standpoint, has shown re-

markable improvement over the originating material of book or stage. Last year saw a great number of films which not only had been socially bettered in relation to the material from which they were developed, but had been greatly improved in entertainment value. This is a most significant phase in self-correction.

It is interesting to note also that in the classification of pictures coming under the operation of the Motion Picture Production Code the percentage of films based upon crime or horror have dropped under the previous year. Western and action pictures, however, still hold their lead as the following table, taken from our code operations, makes evident:

Classification	1939		1940	
	Number	% of Total	Number	% of Total
Social Category . . .	54	9.25	35	6.69
Crime and Horror . .	139	23.80	108	20.65
Musical	19	3.25	27	5.16
Western and Action .	160	27.40	115	22.00
Miscellaneous . . .	212	36.30	238	45.50
TOTALS	584	100.00	523	100.00

The following is a detailed statement of the general activities of the Production Code Administration during the year under review:

	1940
Total Number of books, synopses, plays and stories read . . .	461†
Number of scripts read (including changes)	2595
Number of pictures reviewed	1362°
Number of consultations	1453
Number of opinions written, dealing with stories, scripts, pictures, etc.	4708

†Includes short subjects.

°Includes a number of pictures reviewed more than once.

Of the total of 523 feature-length pictures approved during 1940 by the Production Code Administration, 329 were for member companies and 194 for non-members of the Associa-

tion. Four of the films approved for members and 40 of the films approved for non-members were foreign made.

On the basis of 523 feature-length pictures approved by PCA during 1940, it is to be noted that films based on original screen stories increased from 56.3% in 1939 to 61.8% in 1940; of these films 323 were made from originals. Pictures produced from stage plays increased from 5.8% to 9.8% with a total of 51 such pictures during 1940. There was a drop in biographical pictures, from a total of 17 produced in 1939 to 8 in 1940, whereas new sources for picture material included 4 radio programs and 7 comic strips.

Advertising Advisory Council

The keen competition to build up domestic theatre attendance in an effort to offset the loss in foreign markets brought many new types of advertising ideas. Sensible of this fact, increased watchfulness was exercised by the Advertising Advisory Council during the past year in the administration of the Advertising Code.

Rejected or revised advertisements numbered 324 out of a total of 11,256 submitted — or 2.8%. However, as by far the greater part of this material was subsequently brought into conformity with the tenets of the Advertising Code, actually less than one per cent of the submitted material was considered objectionable. Small as is this proportion, it is almost double the percentage of rejected advertisements for the year 1939.

It is good to be able to report, however, that the two branches of the Council, on the West Coast and the East Coast, are functioning in the closest possible co-operation to keep the problem of objectionable advertising strictly within the voluntary code of the industry. The offices are kept informed of activities by the interchange of daily and weekly reports covering material handled.

The statistics of this work are given in the following table:

Summary of Advertising Submissions New York and Hollywood

Material Considered on Submission	Discarded or Revised
95,090 stills (Hollywood)	1,196
3,243 stills (New York)	21
10,646 publicity stories	None
11,256 advertisements	324
9,011 exploitation ideas	11
4,796 miscellaneous accessories	16
1,759 posters	39
1,027 trailers	9
490 completed press book campaigns (403 members, 87 non-members)	None

Foreign

As already stated, the past year has been notable for the resounding crashes of foreign markets for American motion picture films. The continent of Europe is practically in a state of siege. Difficulties already great have been multiplied by stringent export regulations in many parts of the world.

Great Britain and the United States are not only the two most important strongholds of democracy in the world today, but are also the two most important outlets for the exhibition of American motion pictures. With a constant supply of American films aggregating 76% of the total in current release, the British in their great ordeal have been able to turn to this popular form of entertainment for information, for recreation and for relaxation from the tremendous strains under which every man, woman and child labors in England today.

Our own country has recognized the importance of removing any hindrance to the passage of our films to Great Britain and other free nations. When the Neutrality Act was passed in

1939 a provision required that title must be transferred to a foreigner before shipment of goods from this country. We made clear the problem presented in the shipment of motion picture films. Fortunately, an amendment to the Act exempted copyright material and thus motion picture films could be shipped without passage of title.

Upon the outbreak of the war, September 3, 1939, a black-out of virtually all Europe closed motion picture theatres everywhere. But by November of that year it was found imperative in England to encourage the reopening of theatres because of the vital importance of this form of popular entertainment for the maintenance of morale, both of the civilian population and of the armed forces. The necessity for an uninterrupted, undiminished supply of American films was clearly recognized. But due to the scarcity of foreign exchange, a large portion of American receipts from English exhibition was required to be impounded. At the present rate a total net of approximately \$34,000,000 will thus have to be withdrawn from the budgets of American film companies by the end of October 1941.

Our companies in the United States, therefore, have the problem of supplying a constant stream of entertainment to the United Kingdom on one hand while they must face, on the other hand, the freezing of a large portion of the receipts in these markets, which removes an equivalent amount from the monies available for the maintenance of the industry. It is a problem which understanding and good will must solve, now that the exchange problem has been ameliorated by our national policy of all out aid to Britain.

The hunger for film entertainment that has no propaganda to serve is evident from the action taken by the Swedish Shipping Board at the instigation of the Swedish government to provide cargo space for films in spite of all other demands.

The Latin American field continues to be of great interest and importance. Difficulties arise in connection with exchange, taxes and certain outside political pressures, but the progress in the amities and the mutual purposes for cooperation continues.

On February 17, 1941, the office of the Association in London became a casualty of war. It was wrecked and all records were destroyed by fire. But its work, under the direction of Mr. Fayette Allport, went on uninterruptedly.

News Reels

Historians of the future may differ as to the causes and significance of present events, but they will come back to the newsreels for the fateful pictures of a war that decided the future of democracy in this world. The services rendered by our newsreel companies during the past year have been truly historic. They gave action and validity to the momentous events that occurred.

From across the seas came intimate pictorial reports of the war in Norway, the tragedy of the Netherlands and Belgium in the Battle of Flanders, the miracle of courage and endurance in the evacuation at Dunkirk, the fall and prostration of the great democracy that was France, the tragic epilogue of the destruction of the French fleet in the Mediterranean, the never ending flow of sad and broken refugees that covered all of Europe like black lines on a map. From England and the Far East came the terrible pictures of air bombing with its orgy of ruin; the huge preparations undertaken by the Island Empire for the expected blitzkrieg; the story of blockades, of convoys, of ships lost at sea.

In our own country the newsreels mirrored the story of our preparedness in national defense, with the hero the man be-

hind the machine, the workers without uniforms, men enlisted in the arsenals of democracy. They covered the selection for training of American man power for service on land and on sea and in the air. They projected many new phases of our national program, including peacetime conscription, alien registration and the actual operation of the Selective Service Act. They gave voice in action to the divergent views expressed in the legislative debate on measures and methods that affect the safety of our country. Altogether during this period our newsreel services devoted approximately 793 of their 4,680 individual subjects to one or another of national defense activities.

Of outstanding interest, of course, was the Presidential campaign. Our newsreel services succeeded admirably in balancing their coverage of both candidates of the leading parties throughout their debate.

Here the newsreels have remained free to reflect events as they develop, as has every other medium of information. But the achievements of our newsreels abroad were made against every obstacle that could be placed in their path. One country after another closed its doors to pictorial reporting by free or neutral nations. Germany, Finland, Italy, Denmark, the Netherlands and Belgium, Norway, Japan, and finally the Balkans became inaccessible to our newsreel coverage. In some cases the opportunity for news as well as much valuable sound equipment were lost together.

Short Subjects

Like the news reels with their forthright coverage of spot news, the industry's short subjects have mirrored the nation's topical interest in the eventful days in which we live.

Predominant as themes of such subjects during the past twelve months have been our American way of life and the preparations for its defense. One after another the Army — Air

Army, Young America Flies, Conquest of the Air, United States Military Academy, the Navy — Eyes of the Navy, Meet the Fleet, United States Naval Academy, and other Government services — *The Spirit of 1941*, featuring the United States Civil Service Commission, *The United States Mint* and others — have been welcomed by theatre audiences.

Travelogues of the American nations have contributed to our mutual interest in each other and a new sense of our geographical interdependence. Our own states have been frequently the subject matter of travel shorts, and some of the provinces of Canada, the West Indies and South American countries have been treated likewise.

Devoted to the better understanding of our American traditions in the past are such shorts as *Old Hickory*, *The Flag Speaks*, and *Teddy The Rough Rider*.

A number of new departures in short subject construction were noted during the year. These include a more literal translation of the short story into the short subject as exemplified in *The Happiest Man On Earth*; the adding of puppets to the technique of pure animation; the combining of radio technique with that of dramatic presentation in such films as *Take It or Leave It* and *So You Think You Know Music*. All these indicate the possibility of new and varied types of material for the theatre program. Notable public interest was shown, also, in some of the short subjects vividly portraying the effect of the war upon civilian life abroad. Such films as *London Can Take It* and *Christmas Under Fire* were of that character. They were distributed with the profits going to British war relief.

All in all, many areas of interest were covered in shorts production. Sports, fashion, travel, art, literature, religion, education, industry and public works helped to round out the year's program.

Conservation

Fire prevention, particularly in our own industry, must be recognized as a problem demanding planned and constant education and eternal vigilance. Uncontrolled fire is responsible for the destruction of thousands of human lives and millions of dollars in public welfare and resources each year. The motion picture industry has maintained for many years a foremost place in fire prevention and conservation matters.

During the year 1940, no fires occurred in film exchanges in the United States operated by distributing companies which are members of this Association. Furthermore, we have no record of fires occurring in exchanges which are not affiliated with this Association. Insofar as we can learn, the exchange fire loss for 1940 was zero.

The exchanges in the United States examine, store and ship more than 27,000 miles of nitro-cellulose motion picture film daily, yet not one foot of film in the distributing offices was destroyed by fire. This record demonstrates the excellent results that have been brought about by the intelligent and conscientious policy of conservation which was organized eighteen years ago.

Technical Progress

An outstanding technical development in the motion picture industry during the past year has been the demonstration, to the trade, of a stereophonic system of recording and reproducing sound, and the introduction in the theatres of three methods of using multiple loudspeakers. The former system was demonstrated at Carnegie Hall in New York some months ago and later in Hollywood. It involves the recording of several separate sound tracks on the film, which are reproduced through three separate sound channels, each channel having its own loudspeaker behind the screen. The sound therefore

apparently follows movement on the stage, thus creating what has been referred to as three dimensional sound.

A control track is also provided by means of which there is a definite volume range far in excess of that obtained in present commercial practice, together with a method of automatically controlling volume.

The other systems are more or less alike in their objectives and may be grouped together under the general term of "multi-speaker" systems. They do not necessarily involve the spatial motion of the sound. The purpose to be accomplished by the multispeaker systems is the introduction of sound into the theatre auditorium from points other than behind the screen. In other words, loud speakers are located in the auditorium as well as behind the screen. Special sound tracks control the various sets of speakers and very interesting acoustical results are achieved. Among such systems may be named the Fantasound and Vitasound.

What has been generally regarded as an important development in the field of motion picture equipment is a new studio camera, which operates very silently without the need of a blimp, and has certain accessories, such as the self-slating device, which have proved valuable to the cinematographer in his work on the stage.

During the year, also, a noteworthy advance in the optics of motion picture equipment has been recorded. This is a process for coating the surfaces of lenses either for photographing pictures or for projecting film, with surfaces that decrease the reflection of light to a negligible amount, so that practically all of the light incident upon the lens passes through the lens. This prevents the formation of halos and other defects in photography that arise from the reflection of light on the lens surfaces.

Of special interest should be the fact that the supply of raw materials for photographic manufacturing operations in the

United States was not cut off at the outbreak of hostilities in Europe as it was in 1914. It is worthy of note that sources of supply for gelatin, optical glass, sensitizing dyes and certain developing agents have been built up in the United States. Also continued progress was made during the past twelve months in panchromatic negative film which gives a wider latitude for the achievement of photographic effects and in the development of fine grain positive film resulting in improved picture quality on the screen.

Community Service

The industry must expect that what is contained in motion pictures, what is said about pictures and what is believed to be the effects of motion picture entertainment is everybody's business. These are the social problems, among others, with which many community groups throughout the country have been organized to deal. Regardless of the economies, therefore, which conditions have imposed on the Community Service Department, there has been no lessening in the demands made upon the industry through the Association for a wide variety of co-operation from public groups in many cities. Such work still requires a mass of correspondence, many thousands of letters and more than 15,000 personal interviews with individuals during the past year.

Statistics and other studies developed by the Association have permitted us to reply to requests for information, to clear up misunderstandings and present the facts. For example, there are those who believe that in the incidental 'business' necessary in the development of film stories too much drinking is shown. We know the care now exercised by studios to lessen such picturization so that no impression may prevail that excessive drinking is usual or universal in the pattern of American life. Yet such complaints which voice deep convictions must be given careful consideration.

Statements as to the predominance of representatives of one or other of the various religious faiths in the dramatic output of the screen likewise are readily answered by the facts. Taking a typical year the facts show that out of 596 feature-length pictures approved by the Production Code Administration, clergymen, Salvation Army workers and missionaries appeared in 76 of them. Most of the portrayals are accounted for on the basis of history, geography, or racial or national background, geography being particularly important in determining the characterization. Less than half of the clergymen thus portrayed were members of any one religious group.

With reference to charges of cruelty to animals, usually stimulated by reports of sensational "stunts," we are able to point to the complete co-operation now given to the studios by the American Humane Association. The studios regularly consult with representatives of that organization in problems relating to the use of animals in motion picture scenes.

The Department in all instances seeks to act upon or answer any complaint that is made from a responsible source, for it is in the interest of good public relations for the industry not to allow mistaken or false statements to multiply. But the function of community service is not merely to answer complaints but to give authentic information. During the past year a representative of that department travelled 14,800 miles, visited 69 cities, delivered 181 addresses to various groups, and interviewed more than 900 important community leaders, in the effort to answer frankly all questions as to motion pictures from the social standpoint, to learn the viewpoint of the public and to benefit therefrom whenever possible.

Teaching Film Custodians, Inc.

Through the Community Service Department the Association has continued its co-operation with Teaching Film Custodians, Inc.

dians, Inc., of which the Secretary of the Association is one of the trustees. Other trustees are President Emeritus James R. Angell of Yale University and Dr. Willard E. Givens, Executive Secretary of the National Education Association. Recognizing that education is a job for educators, the Association has continued the policy of co-operating in such work, by helping to make available those elements from the stream of normal picture production which educators considered useful in the educational process.

From all indications the use of films by schools is increasing. The number of schools using films more or less extensively in 1940 exceeded 5,000. The experience of the educators during the first eighteen months of this educational experiment has amply confirmed the judgment of our Advisory Committee that school administrators and teachers would welcome and appreciate non-current short subjects originally produced for theatrical exhibition, provided these subjects could be selected by educators and could be made available on reasonable terms.

The contract by which the non-current short subjects were made available by the producers limited the three-year experiment to the end of the school year in June, 1942. Encouraged by the success of the experiment and the confirmation of their judgment that these films would serve a real educational need, the directors of Teaching Film Custodians, Inc. have approved negotiations for the extension of the contract for an additional period of three years, in order to permit the inclusion of additional appropriate films in a new edition of the educational film catalogue and the preparation of manuals or study guides for the use of teachers.

The process of previewing 150 or more additional short subjects began immediately after the close of the conference of the National Association of School Administrators in Atlantic

City on February 27th. A revised catalogue will be prepared for circulation to schools within the month of April.

Human Relations Films

It will be recalled that the inception of this project dates back to the New York Motion Picture Conference in September, 1929. The Human Relations short subjects were produced by the Commission on Human Relations of the Progressive Education Association under the direction of Dr. Alice V. Keliher. The production cost was financed by the General Education Board of the Rockefeller Foundation. The project is now self-sustaining by distribution to schools on a non-profit rental basis and is supervised by Dr. Keliher who is now a professor in the Department of Education of New York University. Letters received by Dr. Keliher from educators in all parts of the country indicate their gratitude to motion picture producers who have made this experiment possible by permitting the Progressive Education Association to take excerpts from non-current feature films.

Other Educational Projects

Our member companies continue their co-operative relationship with the Film Library of the Museum of Modern Art. That project has expanded greatly since its organization about ten years ago. Last year the Film Library had available 174 films for circulation among educational institutions and museums for the benefit of duly matriculated students of art. Most of these are feature-length and many of them were furnished by our member companies. During the past twelve months these films were sent to 290 institutions in the United States, Hawaii and Canada.

Attendance Promotion

The ever-greater popularization of the screen lies in the industry's opportunity to tap the audience of approximately 26,000,000 to 32,000,000 persons who do not go regularly to motion picture entertainment. It is a task that cannot be achieved merely by advertising to regular customers.

The past year has seen much progress in the work along these lines continued by the Community Service Department as well as by the Department of Information of this Association. The programs undertaken through special publicity as well as by detailed work with many thousands of groups has been on the line of reaching new patrons for the theatre; of building up understanding of the industry's significance and usefulness and the consequent prestige and good will; and of interesting public leadership in the educational, historical and artistic progress of the screen. The work is being developed through groups representing thousands of active workers for motion pictures among educational, civic, patriotic and other clubs all over the country and through educational methods directed to millions of students of the subject and 10,000,000 library patrons.

Our efforts directed to neighboring export fields have likewise increased. For the last eighty-six weeks, American motion picture programs have been broadcast to foreign lands over the world-wide short wave facilities of the National Broadcasting Company and the Columbia Broadcasting System, separate scripts being prepared each week in the New York headquarters of this Association.

The purpose is to create mutual good will in the Americas. It should increase the appreciation of American pictures and the attendance for American films in all parts of the world. The programs include constructive comments on motion pic-

tures, Hollywood studios, directors, artists, technicians, music and songs, and general industry activities. Special efforts are made to attract the interest of listeners throughout Latin America. It is estimated that there are nearly 4,100,000 radio sets in Latin America, of which approximately 2,500,000 are equipped for short wave reception. These figures indicate that a substantial radio audience is available.

Hollywood

During the past year, the publicity directors of the studios in Hollywood organized themselves into a Publicity Directors Committee. The Committee after considerable study and discussion developed a plan of co-operation with the general public relations activities of the industry having particularly to do with Hollywood problems. It was accepted by the executives of the industry and the Publicity Directors Committee now functions as an integral part of the producers association in Hollywood. Under this plan public information with reference to personnel, employment, pictures and production plans is made more easily available on the ground to writers, correspondents and broadcasters assigned to this film capital.

The greater co-operation that has been effected between the publicity directors in New York and the publicity directors in Hollywood, and the authentic information made available to newspaper representatives on the Coast are of service to the entire industry. Careful surveys made in Hollywood have dissipated many rumors or false statements.

Of other special coast activities it may be said that the Central Casting Corporation has become the largest free employment bureau in the state of California. The total number of placements during 1940 was 228,342, with an average daily wage of \$11.08, considered the highest wage scale paid to casual workers anywhere.

The Call Bureau continued in successful operation as in previous years. During the past twelve months, 4,362 calls for various artists and 2,800 engagements were recorded by this Bureau. In addition, 418 actors negotiated exclusive or conditional term contracts. There was an increase in the number of actors, writers and directors registering with the Bureau during the year. Studios were regularly furnished with lists of artists available and names of licensed agents whose activities had been verified through the State Labor Commission.

As in previous years, and through the courtesy of the major studios in Hollywood, pictures ready for release were previewed by representatives of national and regional organizations interested in the movement of better motion picture appreciation. The personnel of the previewers is selected by the organizations themselves. Each organization has its own method of distributing its findings to its own members. With such reviewing groups in Hollywood, on the one hand, and in New York, on the other, a great family clientele for motion pictures is reached by those who would see to it that the level of public appreciation rises with the production of pictures that reach higher entertainment appeal.

The Academy of Motion Picture Arts and Sciences continued during the year its distinguished service to the art and the industry. Research work, the encouragement of cultural recognition of the screen, and national defense effort were among its outstanding activities.

The high civic consciousness displayed by members of the industry never has been more clearly reflected than through their relief, charity and community activities in Hollywood. Members of the industry have been taking their place in the civic life and social services of their communities and the nation. The volunteer services of many have been made available to the government.

During the year Mr. Louis B. Mayer, Chairman of the Motion Picture Division of the drive for the Community Chest of Greater Los Angeles reported record contributions amounting to more than \$465,000 from 17,911 fellow workers in all branches of the industry. The industry not only met but exceeded its quota in this campaign, contributing over 17% of the total required amount and leading all other industries of Greater Los Angeles.

During this period, also, the studios in Hollywood formed a permanent charities committee with Mr. Samuel Goldwyn as Chairman. Every group in the industry is represented. Among the first task undertaken by this committee was a joint drive for the American Red Cross and for allied relief in which \$440,000 was raised. A comprehensive effort in behalf of Greek relief is now under way.

In addition to the contributions listed, many very large gifts not incident to any of the general drives were made by industry individuals. Practically every employee in Hollywood has continued his pledge to donate one-half of one per cent of salary annually to the Motion Picture Relief Fund, to care for the industry's own needy cases. The work of the Fund continues to merit the appreciation of the entire industry.

It should be added in this connection that the general industry co-operation given to the Red Cross drive by exhibitors and distributors as well as by producers, included time, services and material. For instance, special films were prepared featuring various stars of the screen and trailers, decorated theatre fronts and publicity were used. All these activities helped enable the Red Cross to reach its quota of \$20,000,000. The trade papers of the industry contributed most generously to this result.

Also, on an industry basis, it should be reported that during 1940, entertainment films were supplied free by producers to shut-ins in more than 1,200 institutions throughout the United States, including homes for crippled children, orphanages, reformatories, hospitals, homes for the aged, veterans' convalescent homes and institutions for underprivileged boys and girls. The industry donated in that period 13,357 features and 14,404 shorts for that purpose. Many touching appreciations to the industry have been received. How important it is to continue this work is indicated by the following comment which comes from an institution treating infantile paralysis: "Our patients attend the institution for after-treatment work with infantile paralysis. They are mostly young adults and motion pictures provide one of their chief forms of entertainment and instruction."

Title Registration

The Title Registration Service developed by the Association has become a great and growing library of information which allows an orderly and fair procedure in the adoption of titles for screen entertainment. It is an important asset in this respect, from the public as well as the industry viewpoint. Without this facility the confusion of titles would lead to immeasurable misunderstanding and misrepresentation of entertainment labels. As a consequence, not only members but many non-members of the Association avail themselves of this service which is given without cost. They are thus enabled to determine in advance of production whether a proposed title is available for their use or has been registered previously by some other producer.

This service requires a daily check of approximately 300,000 index cards and a daily report to each company regarding the status of its application for each title registration, including

similarities with all existing titles. During the year 1940 more than 1,000 titles were transferred to the release index and 3,214 titles were registered. In addition 326 titles were cleared for non-members.

Trade Press

The trade press is continuing to serve well the general interests of the motion picture as an institution. It is not only a medium for the exchange of information among all branches of the industry, but it is able to survey our problems as a whole and render constructive service in the execution of our programs. It has a most important function that entails definite responsibilities and obligations, of which none is more aware than the trade press itself.

Land of Liberty

The steadily developing inspiration and educational content of the American screen never has been made more evident than by the theatre exhibition of *Land of Liberty*. This is the Association-sponsored film first shown at the World's Fairs in New York and San Francisco.

Because of its timely appeal and the demand voiced by many educational and other public groups throughout the country, it was placed in general release on January 24, 1941. Appropriately enough, *Land of Liberty* had its premiere in the nation's capital.

This panorama of the great and stirring periods of American history has been widely praised as a most significant service to the public rendered by the industry. Educators and other public leaders have urged that the picture be seen by every school child, every college student and every defense worker.

Land of Liberty is a film for tomorrow as well as today. It is entertainment inspired by our progress as a nation. From the days of the colonists to Washington, Hamilton, Franklin, Jefferson, Madison, Lincoln and up to the very present, the picture has captured the struggle, sacrifice, courage and accomplishments that have built our system of life and made this nation a great republic.

From the standpoint of screen progress, it is notable that the industry's entertainment pictures made during the past twenty years furnish the material for this story. Our studios had drawn so frequently upon American history for background material that it was possible to make a history of the United States for the past 150 years without shooting a single scene.

The impact of the film upon our national morale is in the manner in which it revives the spirit of sacrifice of our pioneer ancestors, the courage of their achievements and the freedoms which they built up. Critics, to quote a few, have referred to it as "the greatest documentary film ever compiled"; "a thrilling and entirely desirable summing up for contemporary America"; "a contribution to the cause of national spiritual rearmament"; "an instrument to inspire the rebirth of pure Americanism in these troubled days."

Land of Liberty had its opening in state capitals, and nine Governors in the early stages of its distribution called in proclamation for the people of their states to attend the showing of this film. It has been estimated that before its run is completed more than 20,000,000 people will have seen this picture. It is a real contribution in this time of crisis.

Receipts from the distribution of the film will go to war emergency welfare work.

Opportunity

Altogether the year under review has been a period of marked achievement. The industry has met by greater economy and better pictures the blows dealt to the screen in many foreign fields, although it is still faced with the problem posed by frozen receipts in various markets. It has embarked upon a radical change in its sales methods without disturbing the flow of continuous production and, above all, without sacrificing the quality of its service to the public. By adopting once more a plan of arbitration, it has moved in the direction of peaceful settlement of trade disputes. It is earnestly recommended that the effort for better understanding be pursued both by exhibitors and distributors.

There is no cure-all that will take the place of planned and hard earned progress in the industry. It is interesting to note that a recent monograph published about trade practices in motion pictures and the screen's codes of self-regulation reviews legislation, litigation, arbitration — and finds them all wanting. The statement is so keen about the forest that it overlooks the trees — the essential factors by which the industry grew up, the art developed and theatres were vastly multiplied until the film became a universal form of entertainment. We cannot quarrel, however, with a conclusion reached in the monograph that no patent medicine remedies, no simple solutions, no infallible formulas exist for any problems in this industry. On the contrary, to quote from this monograph issued under the auspices of TNEC written without any hearing or submission on the part of producers, distributors or exhibitors, what the industry needs is "more than anything else intelligent and sympathetic study."

The screen is too prominent a medium for criticism, right or wrong, not to be constantly levelled at it. Wholesome criti-

cism allows for constant self-examination and stimulates our progress; baseless criticism gives us the opportunity to establish the facts about the industry. There will never be a time when we can sit back and say "Content."

The world today is passing through an ordeal of fire and destruction. Vast revolutionary forces are rumbling through the earth. I am confident that civilization will come out of it all purified, not destroyed. The plain men and women of the future, to a greater extent than ever, will determine their own destinies. The motion picture is an instrument of universal entertainment, widespread information and common inspiration; therefore the leaders of the industry, in this crisis of events, face an unparalleled opportunity for service, and a heavy and continuing responsibility.

I am confident that the industry will rise to its full opportunity.

WILL H. HAYS

March 31, 1941

Date Due

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